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CENTRAL INTELLIGENCE AGENCY

SAMPLE ISSUE

OF

CIA WEEKLY REVIEW

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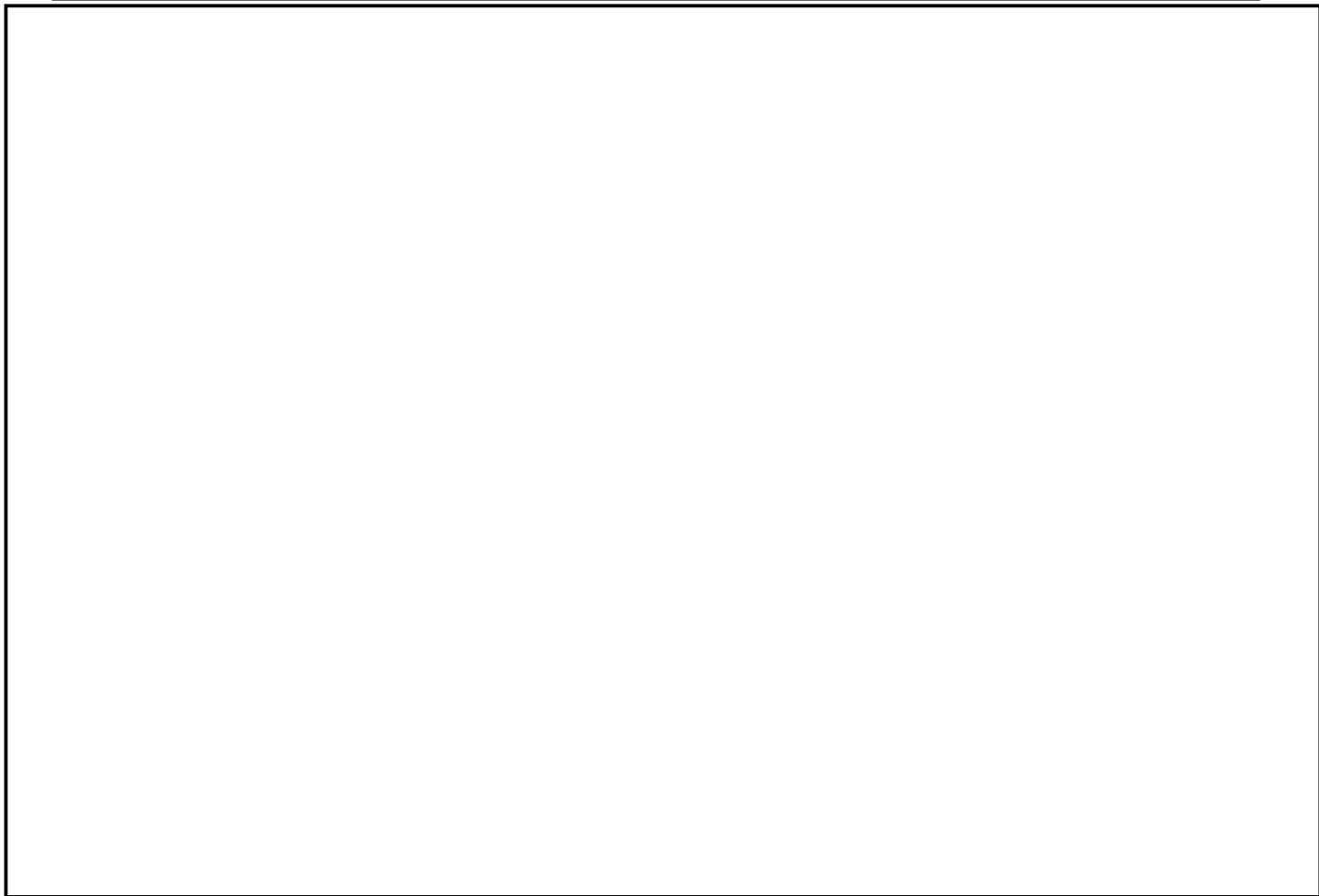
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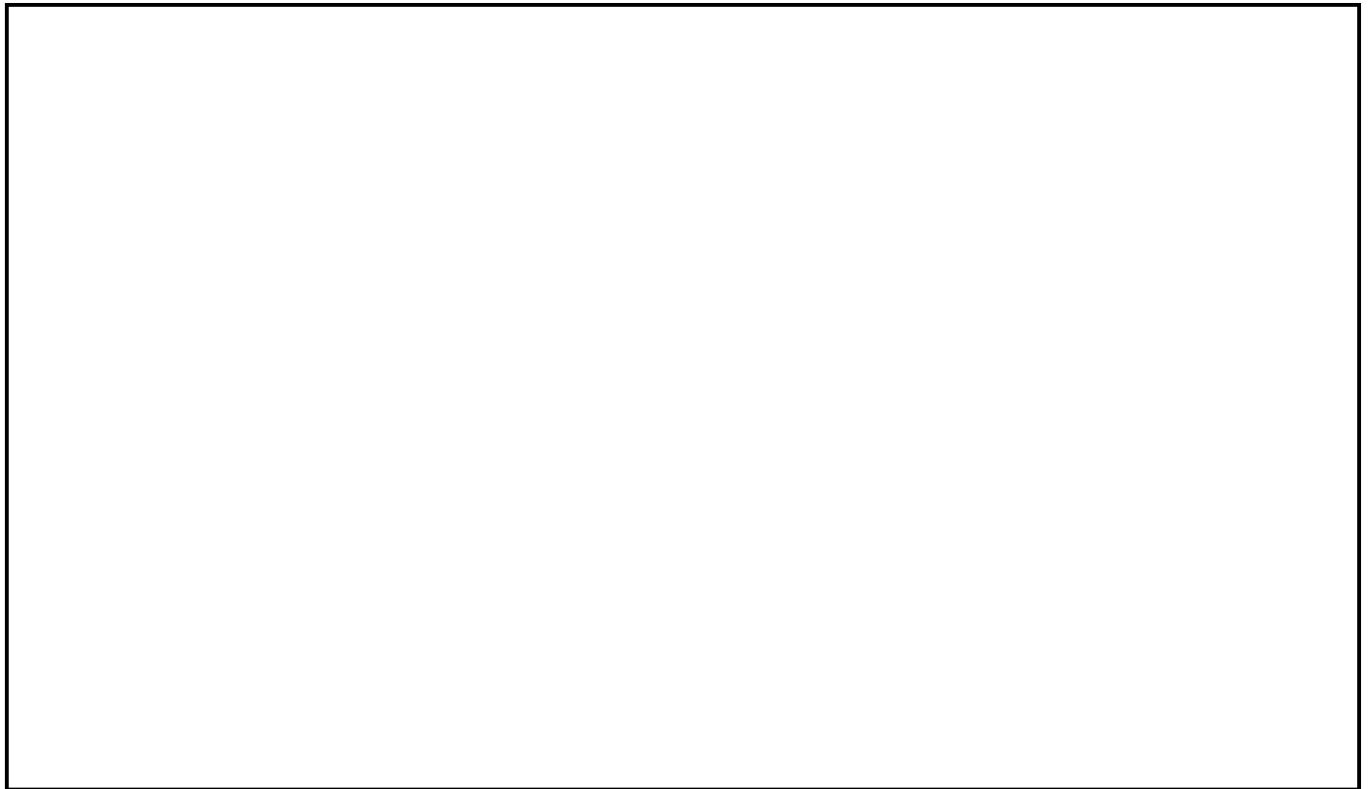
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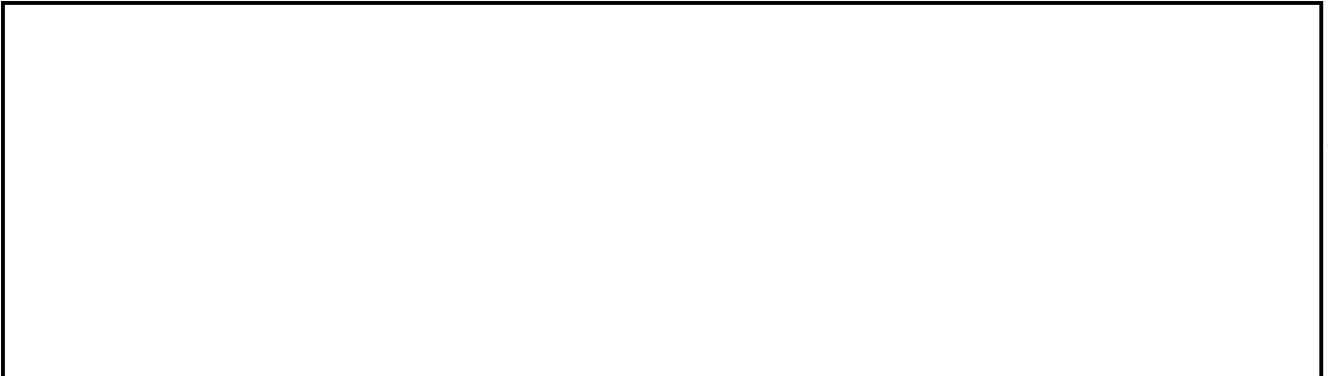
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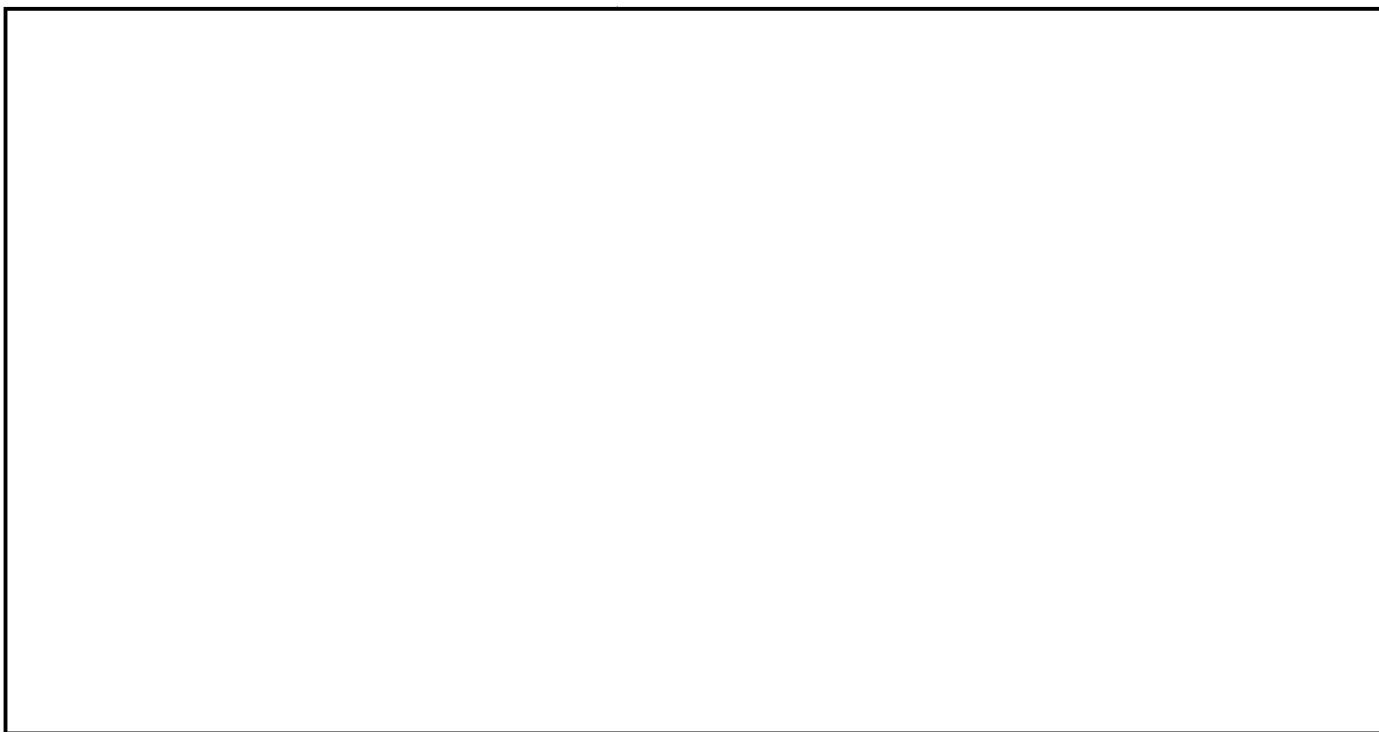


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INTERNATIONAL ORGANIZATIONS

GA retains critical attitude toward USSR

Speculation whether Soviet possession of the atom bomb would alter existing UN political alignments seems to have been resolved in the negative by recent roll calls in the GA. Concrete tests of UN reaction were recently provided by the bitter struggle between Yugoslavia and Czechoslovakia for the Eastern European SC seat and by the hotly disputed issues of observance of human rights in the Satellites and continuation of the controversial UN Korean Commission. In all three, the USSR suffered resounding defeats; in the human rights case, the majority vote was greater than last spring. So far, the USSR has found the going rougher in this GA than in any previous session. Neither acquisition of the A-bomb, nor Vishinsky's new-found cordiality seem to have made friends or influenced people at Lake Success. On the other hand, when the GA considers the problem of the A-bomb itself, it is certain that the fact alone that a second major power has acquired this weapon will exert new pressure for a solution.

Soviet propaganda technique turned against USSR

The Soviet device of utilizing international conferences as sounding boards for propaganda has been turned against the USSR very neatly by Yugoslavia, in a way proving the USSR a good teacher and Yugoslavia an apt pupil. The forum was the GA Legal Committee, which had before it the proposed Declaration of the Rights and Duties of States. Yugoslavia promptly offered 25 amendments, including some very pointed proposals on the duty of a state to respect the rights of other states, not to foment civil war in other nations, not to engage in slander campaigns or economic warfare against fellow UN members, etc. Poland tried to rescue the USSR from embarrassment by moving that the Declaration be referred to the member states--as a maneuver which would have stalled the Yugoslav motion indefinitely. The Greek representative was unable to refrain from expressing the hope that Yugoslavia would in the future observe the lofty principles for which it was contending and from regretting that such sentiments had not occurred to Yugoslavia two years ago.

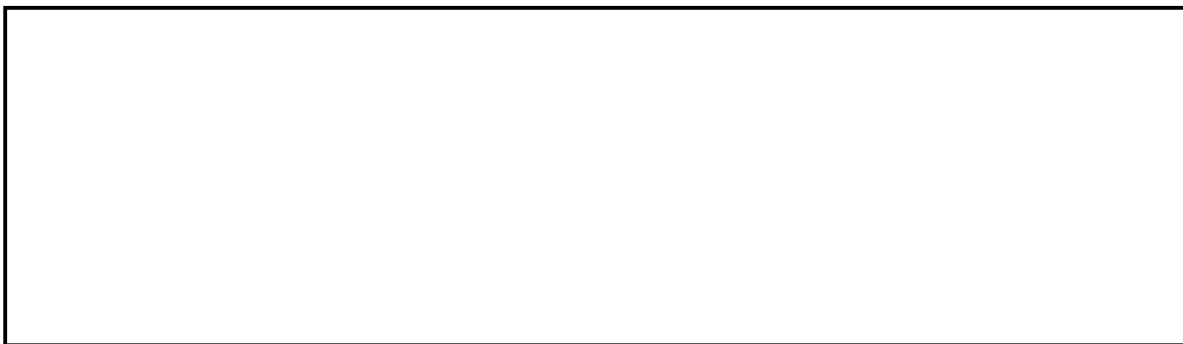
Few people--and almost certainly not the Yugoslav representatives--believe either that the proposed amendments improve the draft declaration or that they have the slightest chance of being approved. But the Yugoslavs are as indifferent to these considerations as the USSR has been on similar occasions in the past. They will have attained their sole objective--a world-wide audience for denunciations of their former ally.

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W E S T E R N E U R O P E

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GERMANY

Transfer of SMA authority to new German Democratic Republic

Transfer of administrative responsibility over the Reichsbahn from the Soviet Military Administration (SMA) to the Ministry of Traffic in the new German Democratic Republic is likely to complicate relations between the western authorities and the Reichsbahn. The exact extent to which the SMA has abdicated direct authority over the conduct of these relations is not yet clear. It appears probable, however, that the east German Traffic Ministry may seek to renegotiate existing Allied-Soviet agreements on all matters concerning overland communications between west Berlin and western Germany. The motive for such a move on the part of the USSR might be in part to coerce the western powers into a de facto recognition of the German Democratic Republic.

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GERMANY

The change in the status of the Reichsbahn can also be expected to intensify the demand of the west Berlin Magistrat for extension of the authority of the west sector police to Reichsbahn property in west Berlin, supplanting the authority of the Reichsbahn police, who are now presumably under the ultimate authority of the German Democratic Republic, rather than of the SMA. If the demands of the Magistrat are not met, the western powers would in effect be tolerating the operation in west Berlin of the police of the Democratic Republic.

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E A S T E R N E U R O P E

SOVIET UNION

USSR opens negotiations between local border commanders to forestall Iranian Retaliatory Acts

The Soviet-Iranian dispute over the return of fifteen Iranian soldiers, apparently being held as hostages by the USSR, may be resolved by negotiations reportedly underway between the Iranian and Soviet border commanders in the area where the Iranians were seized. Following Iranian threats to close all Soviet establishments in Iran, including the Soviet hospital and VOKS (Soviet Cultural Agency), if the Iranian soldiers were not returned promptly, the USSR has replaced its entire personnel complement along the border east of the Caspian sea. In a conference between the new Soviet border commander and the Iranian border commander the Soviet officer reportedly promised to consider the return of the Iranian soldiers. The Iranian government, which has accepted this latest Soviet move as an indication that the USSR intends to return the soldiers soon, has not implemented its threats.

The USSR's inauguration of negotiations between the local border commanders is probably prompted by a desire to keep the dispute localized as well as to gain time in its efforts to effect the return of two Soviet defectors, for whom the Iranian soldiers are being held as hostages. Moreover, since the Soviet agencies in Iran are especially important as centers of Soviet espionage and subversion, the USSR will probably avoid aggravating the current dispute to the point that the Iranian government will act to close these establishments.

2 October set for first international post-war communist peace demonstration

"International Peace Day," planned for 2 October, is the first coordinated, world-wide peace demonstration staged by the Communists since the end of the war. Possibly timed to coincide with the UN General Assembly session, the occasion will provide the Communists with a fresh opportunity to point to the USSR as the sole champion of peace. The underlying purpose of this Soviet peace strategy is to strengthen national Communist parties by enlisting the support of as many non-Communists as possible and to induce the masses to withhold support from their governments.

Propaganda for peace is by no means a new Communist tactic. At the Sixth World Congress of the Communist International (1928) it was resolved that all Communist Parties would engage in "political, organizational, agitational and propagandistic work in preparation for

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SOVIET UNION

International Day for the fight against imperialist war and defense of the Soviet." Since then, yearly mass demonstrations for peace were organized, beginning 1 August 1929 and continuing until the outbreak of World War II.

While the anticipated propaganda themes have already been worn threadbare, the Communists probably hope, by the resumption of their pre-war tactic of simultaneous mass demonstrations, to give the appearance of wider support and more enthusiasm for the Soviet "peace" line than was exhibited at the recent peace congresses in Wroslaw, Paris, New York and Mexico City.

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SOVIET UNION

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YUGOSLAVIA

Tito's position would be strengthened by Security Council seat

At the current UN General Assembly session Yugoslavia has publicly asserted its independence of Moscow not only by deserting the Soviet bloc in voting on some East-West issues, but, even more significantly, by seeking a seat on the UN Security Council. If successful, Yugoslav membership on the Security Council would strengthen Tito's defiance of the USSR because it would: (1) afford Yugoslavia a strategic position for directing UN attention to dangerous Soviet pressure, thus providing an additional deterrent against Soviet aggression; (2) increase the internal and international prestige of the Tito regime, (3) provide Tito with a more impressive rostrum from which to assert the ideological superiority of Yugoslav Communism to Stalinism, thus encouraging the development of Titoist tendencies in Communist parties throughout the world and notably in the Far East.

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YUGOSLAVIA

Soviet reaction to the election of Yugoslavia as a Security Council replacement for the Ukraine would be extremely antagonistic, not only because of the loss of a seat traditionally reserved for a Soviet-bloc member but even more because of the granting of that seat to the Kremlin's arch-enemy. The USSR would utilize this issue as proof that Yugoslavia is now operating as a tool of the Western Powers against the People's Democracies.

Yugoslavia as a member of the Security Council would have some difficulty in following an independent line in the Security Council. Because Tito is attempting to be the true interpreter of Communism and has to compete with the USSR in support of Communist interests, Yugoslavia could be expected to vote often with the USSR against the West. Particularly, Yugoslavia would not side with the "capitalist" West on issues involving western colonialism in the Near and Far East. On many East-West issues, however, Yugoslavia would probably abstain rather than antagonize the Western Powers. But where Soviet and Yugoslav interests clashed, as in Trieste or possibly Greece, Yugoslavia would undoubtedly vote against the USSR. In general, Yugoslavia would probably adopt a policy of supporting the small nations against the "imperialism" of the great powers, both East and West.

CZECHOSLOVAKIA

Czech-Yugoslav trade continues

Czechoslovakia's trade plans for August and September reportedly include an exchange of certain essential goods with Yugoslavia. In return for 20,000 tons of pyrites, 5 tons of mercury, 1,000 tons of hemp, and 350 tons of gypsum, Czechoslovakia is to supply Yugoslavia with 24,500 tons coke, 100 tons cable, and minor quantities of industrial equipment believed designed expressly to meet Yugoslav specifications.

This proposed interchange is small in comparison with the former volume of trade and may be a temporary expediency for both parties. The cessation of Czech-Yugoslav trade in June 1949 has left Czechoslovakia critically short of pyrites and mercury and Yugoslavia with an inadequate supply of coke. Therefore, despite the widening rift between Tito and the Kremlin, neither the Czechs nor the Yugoslavs appears disposed to let their political differences completely preclude the meeting of immediate economic requirements. Moreover, it is possible that for political reasons as well neither side is yet willing to sever completely its relations with the other.

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HUNGARY

Difficulties foreseen in Hungary's ambitious Five-Year-Plan

The current Hungarian Three-Year-Plan will be completed, it is officially claimed, seven months ahead of schedule, and will be replaced by a broad Five-Year-Plan for 1950-1954.

The Three-Year-Plan was essentially a reconstructive program and was to lay the foundation for industrial expansion. As such, the plan has reached its goals. In general, production has attained prewar levels.

Objectives of the Five-Year-Plan aim at a radical transformation of the national economy. It is planned that the value of industrial production will exceed that of agriculture. Of the total 35 billion forints to be invested by the end of 1954, 17 billion will go for industry and 6 billion for agriculture.

The Five-Year-Plan aims predominantly at the development of heavy industry, with 20 new plants scheduled for the iron and machine industry. By 1954, the iron and machine industry is to account for 34 percent of all industrial production, as compared with 20 percent in 1938, and electric energy production, for 4.5 percent. These proportions are plausible if the industrial goals are attained. To realize this goal a total of 300,000 new industrial workers would be recruited, most of whom would, initially, be poorly qualified.

Transportation facilities must be expanded along with industry. By the end of 1954, the communication system is to exceed the 1938 level by 65 percent. This goal appears possible since much modernization has already taken place in the rail lines and in motor transport. However, difficulties are being experienced in the production of locomotives, rail cars, and river vessels, but, with expected increases in supplies and skilled labor, these may be overcome. The greatest difficulties will probably be experienced in highway traffic expansion.

In the agricultural sector, the Five-Year-Plan calls for an increase in livestock production, an increase in the average yield of wheat by 20 percent, sugar beets by 30 percent and alfalfa by approximately 40 percent. The fulfillment of these goals is dependent upon success of land reclamation and irrigation projects, use of agricultural machinery, fertilizers and high quality seed.

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HUNGARY

Hungarian industry shows increasing signs of deterioration

Signs of industrial economic deterioration in Hungary have been increasing within the past few weeks. The Hungarian Press, during August and September has stepped up campaigns of criticism attacking the entire industrial personnel, from managers to unskilled laborers. The instances cited have serious connotations when reviewed in context with the self-glorifying habits of the Communist press. Criticisms have included instances of gross inefficiency, production of defective goods, lower unit production and absenteeism among workers. Instances of such deficiencies have been cited as occurring in the model Hoffherr-Schranz factory (which is officially producing tractors and has been cited in [redacted] reports as participating in war production), and in the Ganz Waggon factory, another model Hungarian Communist enterprise. In local speeches Deputy Prime Minister Rakosi has spoken discreetly of such failures.

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The report of the Communist Party Conference for Greater Budapest (60% of Hungarian industry is concentrated in this area) also complains of the many failures. In this report, productivity of the manufacturing industry for the period February to July 1949 is admitted to have fallen 17%. In the Manfred Weiss iron factory, the percentage of waste had risen from 10% to 24%; another factory was reported to have had 200 absentees in one day. Instances of low labor morale were highlighted by a report that sick relief had been given to workers who were actually suffering from self-inflicted wounds.

[redacted] the vicious trend of deterioration is described in a more specific case history. In this case, an expensive turbogenerator was designed for production in the Ganz Electric factory by a non-Communist, old-regime, factory engineer. With the ascent of the Communist engineers, the original plans were discarded and production completed by the latter. In the design and construction of the unit "Socialist Principles" were employed in "economizing on materials and manhours."

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Trials for the new unit were begun in April 1949. As a result of the faulty design of the unit, the electric wiring was burned out and the trial was a failure. The same process was repeated twice. The unit now is locked away in a deserted shed at the electric factory.

With the building of such units, the power program will fail. With the failure of badly needed power output, industrial production will continue to decline, as well as suffer from wasteful use of the existing resources.

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HUNGARY

With the exception of the livestock program these agricultural targets seem overly optimistic, since agricultural goals are in a large measure dependent on success of the industrial program.

It isn't likely that the Hungarian economy can make such strides in all sectors. The expansion planned for industry will mean setbacks in other areas of production. USSR assistance is imperative. Otherwise Hungary's Five-Year-Plan will remain largely unfulfilled.

Widespread repercussions of Rajk trial

The Rajk trial, which recently ended with death sentences for the principal defendants, will have repercussions not only in Eastern Europe but also among Communist and fellow travelling groups everywhere. Testimony given by the accused during the trial has included deposition that Tito-sponsored anti-Stalinist plots exist in Czechoslovakia and Poland similar to the one in Hungary and that uncovered earlier in Albania. Extensive publicity has been given throughout Eastern Europe to these accusations with emphasis on the warning that the Eastern European parties must be "vigilant against infiltration of enemy agents." By calling Rajk and his followers agents of Western imperialism, the Cominformists have tried to camouflage the split in the party; however Pravda frankly admitted that nationalist deviationism is the crime.

The Cominform propaganda buildup may be the forerunner of similar purges in Poland and Czechoslovakia, and most certainly will result in a further tightening of party discipline and increased emphasis on ideological education throughout the Satellites. With a purge long overdue in the heterogeneous Czech Party, the Rajk affair may instigate a widespread screening of its 2,300,000 members, which would probably culminate in a shakeup on the top level. Jakob Berman, a member of the Polish Communist Party politburo, warned recently that although an attempt at deviation had already been frustrated by bringing Gomulka into line, the danger still had to be dealt with in the oversized Party. In Hungary, itself, the Rajk affair has provoked another of the series of purges, begun a year ago, aimed at reducing the party from over a million members to 250,000.

There will also be longer-term consequences of the Rajk affair on the effectiveness of Soviet propaganda and ideological appeal in the general picture of World Communism. A similar phenomenon, the Moscow trials of 1936-1938, temporarily turned numbers of left-wing intellectuals against the Kremlin. After the furor had died down,

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HUNGARY

however, many returned to the party line, especially after the German attack on the USSR. The same sort of confusion and disillusionment, evoked initially by the Kremlin's conduct toward Tito, but brought into sharp focus by the Rajk trial, is now evident in Communist, fellow-traveller and leftist intellectual circles. The essential differences between the 1938 situation and that of today, however, are (1) that there is now in the person of Tito a leader of a Communist state who is extremely adept in pointing out the contradictions between Soviet statements and Soviet behavior and (2) Soviet imperialism against ostensibly independent states is involved in the current purges whereas the 1938 affair did not involve this issue. Yugoslav propaganda, now making capital of the Rajk trial, may be expected continually to revert to the trial as an example of Soviet duplicity and aggression. The series of nationalist trials in Eastern Europe, of which the Rajk affair apparently forms a part, indicates the inability of the Cominformists to solve the underlying problem.

BULGARIA

Kostov's trial to hit Satellite economic nationalism

Featuring economic rather than political deviationism, the trial of Traicho Kostov, Bulgaria's former economic administrator and second-ranking Communist, will form another in the series of trials presently being staged in the satellites to demonstrate the futility of any satellite Communist following a nationalist policy.

Even without falsification of the record the Government will be able to present abundant evidence that the original charge made against Kostov—that he had engaged in anti-Soviet activity—is true. At the time of the original accusation in April 1949, the only hint of Kostov's anti-Soviet attitude was a report that a speech he had made to the fifth Party Congress in December 1948 had been altered at the last minute to stress the indispensability of the USSR to Bulgarian economic development, as well as the necessity of eventually nationalizing agriculture. A hint of Kostov's leanings was given by the revelation that he had invoked the State Secrets Law against Soviet economic representatives. [REDACTED]

[REDACTED] Kostov attempted to use information gathered by a trade mission in 1947 as a basis for the thesis, advanced at the December 1948 Party Congress, that Bulgaria would profit more from trade with the other satellites than with the USSR.

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BULGARIA

Inasmuch as the revelation that Kostov sought to liberate Bulgaria's economy from the USSR would make him a local hero, the state will doubtless attempt to prove that his real purpose was to deliver Bulgaria, as Tito did Yugoslavia, to the imperialist West. Available reports indicate that Bulgarian Cominformists have already begun preparing evidence to substantiate such charges.

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F A R E A S T - P A C I F I C

CHINA

"United front" on recognition may not hold

The "united front" of the leading nations of Asia and the West, in regard to the question of de jure recognition of the Communist-controlled People's Republic as the National Government of China, may collapse before the end of this year. The Communists, believing that a break in the "united front" on the part of one major power would cause the dissolution of the entire structure, are endeavoring to persuade certain major powers, [REDACTED]

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India appears to have been impressed primarily by the nationalistic motivation, rather than by the Communist domination, of the Chinese revolution. Moreover, India does not regret the decline of the Nationalist regime, which it regards as dependent upon and subservient to the West. Although India probably will not recognize the People's Republic without warning the US [REDACTED]

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CHINA

Szechwan appears next on Communist list

The easy Communist occupation of Canton has reduced Nationalist control in mainland China to the southwestern provinces of Szechwan, Kweichow, Yunnan, and Kwangsi. Szechwan, China's most populous province, and its major cities, Chungking and Chengtu, are the most inviting objectives for the next Communist offensive. An attack on Szechwan may begin within the next two weeks and the Province's major centers probably will be in Communist hands by the end of 1949.

The high, rugged mountains surrounding Szechwan limit possible avenues of invasion. From the north, the most suitable route for major troop movements is the mountain highway south from Hancheng in Shensi, to Kwangyuan in Szechwan, and thence to the Szechwan basin and the cities of Chengtu and Chungking. From the east, there are two roads: one from the Patung-Anshih area of northwest Hupeh and the other from the Changte-Yuanling area in Hunan. These routes join just inside the Szechwan border and from there a single road leads directly to Chungking, some 190 miles further west. From the south, a highway leads to Chungking from Kweiyang, capital of Kweichow, a little over 200 miles to the south. At the present time, the Communists are in position at only one of these four departure points, the area of Changte and Yuanling in Hunan.

Hancheng in Shensi is Hu Tsung-nan's present headquarters. It is believed that Hu can muster no more than 20 to 25 thousand combat effectives despite all Nationalist reports to the contrary. The morale of Hu's forces is pitifully low and his field-generalship leaves much to be desired. The Patung-Anshih area of Hupeh is presently defended by some 100,000 men under Sung Hai-lien. Nominally under Pai Chung-hsi's command, Sung is considered unreliable and is expected to offer no more than "face-saving" resistance at best.

Within the boundaries of Szechwan, there are some 35,000 Nationalist troops as well as an undetermined number of indifferent provincial levies, together with small forces who owe allegiance to none but their individual warlord commanders. Against these troops the Communists can throw the 150,000 men of Peng Teh-huai's First Field Army, as well as elements from the commands of Liu Po-cheng and Lin Piao, totalling more than that number. These are first-class forces, capable of overrunning the defenses of the province in short order and the actual launching of the Communist attack presumably awaits the redistribution of these troops. This redistribution, while unreported as yet, is probably already well under way.

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INDOCHINA

Review of the military situation

Although the French last week mounted an attack on the Vietnamese resistance stronghold of Vinh, an important arms-smuggling port, possession of which has been unchallenged for nearly three years, official communiques offer little hope that the over-all French military position will be improved in the near future. Arrival of some ten thousand reinforcements from France and North Africa during the past several months (bringing troop strength in Indochina up to approximately 130,000) has not reversed the steady deterioration of the French position in three out of four major fighting areas. Only in the Hanoi area has there been any improvement.

Indicative of a growing desperation on the part of the French command is the willingness to take military measures prejudicial both to the immediate and to the long-run well-being of the Indochinese economy. Fruit trees and coconut palms bordering on military routes have been cut down in large numbers for reasons of military security. Railroad workshops and rolling stock in resistance areas have been destroyed. Nearly a thousand junks and sampans plying the river network of Cochinchina were sunk in recent operations, thus aggravating a shortage of rice in Saigon, already made severe by a resistance blockade of the major producing area to the west. Rice exports for the first half of 1949, as a result, were about 8% of prewar.

Resistance capabilities, on the other hand, appear to be improving. French High Commissioner Pignon has stated that Vietnamese military operations have passed beyond the guerrilla stage and that a "real war" is now under way in Tonkin. The southern advance of the Chinese Communists is expected to permit a flow of arms from China into Vietnamese resistance areas, thus imposing a further strain on French resources in order to counter such increasing pressure. During the three year period ending in 1948, French military expenditures in Indochina totalled more than 430 million dollars (US). It is estimated that operations for 1949 will require an increase of 60% over the previous year's expenditures. The time appears to be approaching rapidly when the French will be faced with the choice of granting full sovereignty to Vietnam, or accepting the consequences of a costly military disaster.

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